



LEO BURNETT U.S.A.

35 West Wacker Drive, Chicago, Illinois 60601, Tel: (312) 220-5959, Fax: (312) 220-3299

November 2, 1994

Mr. Rodney Robinson
PHILIP MORRIS U.S.A.
120 Park Avenue
New York, NY 10017

RE: Final Response for Merit "Lighter Side of Gettin' Away"

Dear Rodney:

This provides a final response report of Merit's "Lighter Side of Gettin' Away."

Background

"Lighter Side of Gettin' Away," Merit's sixth 1993 program, dropped in October.

The primary objectives of the mailing were to solidify loyalty of the Merit franchise and add value to the Merit image. Key strategies were to encourage continuity of purchase and to generate new smoker names.

Mailing Structure

The mailed audience totaled 857,602 names, with the mailing divided among the four loyalty groups. The mailing consisted of two versions. Both versions were mailed coupons (the coupon also served as an entry form for a sweepstakes) and a survey. Version 1 (Ultra Loyals, Loyals and a Vulnerable Test group) also included a premium offer for either a fleece-lined jacket, expandable duffel bag or road atlas. Version 2 (Unknowns and the remaining Vulnerables) also included a refer-a-friend survey.

Key Findings/Implications

- This mailing achieved its key strategies of continuity of purchase and generation of new names, as 22% of those mailed (185,913) redeemed a coupon, and 1.2% (10,451) passed along the refer-a-friend survey.
- The coupon tests among the Ultra Loyals and Vulnerables consistently showed a trade-off between high and low coupon values. When \$2.00-off ctn/5 pks tests were compared with \$1.00-off ctn/4 pks control group, the higher coupon value (\$2.00-off) achieved a higher response while the lower coupon value (\$1.00-off) were more efficient in terms of CPM. Consequently, PM and LBCo. need to specify objectives (volume vs. efficiency) up front to determine appropriate coupon values.
- However, the Loyal coupon test (\$1.50-off ctn/5 pk control vs. \$1.00-off ctn/ 4 pk test) showed pairing more moderate incremental increases in coupon value along with a greater pack requirement did move volume without negatively impacting efficiency. The test showed a 50¢ coupon value difference and an additional pack purchase requirement for redemption increased response an incremental 4% with virtually no difference in CPM. This indicates there are combinations of coupon face value and pack requirement that offer a sufficient perceived higher value to boost response without sacrificing efficiency.

Additional Findings

- > To date, "Gettin' Away" has achieved an overall response of 25% which is lower than total response to "Summer" (29%) and "Morning" (28%), which is due to the coupon offers being less rich in this mailing. Response of the Loyals, Vulnerables and Unknowns in "Gettin' Away" was lower than previous mailings, while Ultra Loyals response stayed consistent across mailings.
- > "Gettin' Away" was an efficient mailing with a CPM sticks moved of \$21.36 versus \$23.91 for "Summer" and \$40.43 for "Morning." The CPM was lower for this mailing because the Unknowns did not receive premium offers nor a survey incentive, both of which drive up the Unknown CPM. Program impact is shown below.

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Overall Program Impact

Audience Group	Number of Responders	Responder Rate	Stick Volume Moved	CPM
Merit Ultra Loyals	49,015	31%	25,095,132	\$17.98
Merit Loyals	70,998	23%	35,780,688	\$21.81
Merit Vulnerables	19,329	23%	7,557,528	\$24.00
Merit Unknowns	70,555	23%	25,461,332	\$23.22
Total	209,897	25%	93,308,144	\$21.36

- > Similar to previous Merit mailings, the Ultra Loyals had the highest response (31%). The Loyals, Vulnerables and Unknowns all had the same overall response of 23%.

Responders

- > Similar to previous mailings, responders to this program tended to be older adults, aged 55 to 64, who are carton buyers and coupon users. Responders in region 5 were under-represented compared to responders in other regions.

Coupons

- > Overall, coupon redemption met in-going projections of 22%, unlike "Summer" and "Morning" which did not reach projections. However, projections for "Gettin Away" were more conservative than "Summer" and "Morning" due to overall lower coupon values. Additionally, the sweepstakes may have been a contributing factor, as coupons in this mailing doubled as a sweeps entry. However, no test was set up to determine the exact effects of sweepstakes on coupon redemption.
- > Of the offers, coupon-only response was again the highest, with 15% responding to a coupon only. 1% of those mailed (7,689), responded to all three response vehicles (coupon, survey and premium), with the Ultra Loyals having the highest response, with 2% responding to all three vehicles.

Premiums

- > Overall, 4%, or 17,921 smokers responded to the gift offer, which is above the in-going projection of 3%. Again, Ultra Loyals had the highest premium response (5.5%). The atlas was the most popular premium with a 1.6% response overall (vs. 1.3% for the jacket and .8% for the duffel), probably due to its having the lowest UPC requirement.

Survey

- > Overall, 10%, or 82,504, responded to the survey, which is comparable to "Summer" and "Morning." The refer-a-friend survey generated a response of 10,451 names, with a response of 1%, which is on-track with the RAF in "Lighter Side of Movies" which also had a response of 1%.
- > Survey-only responders, although a small number overall, tended to index high among the younger-aged adults (21 to 24) across all segments, which may indicate that although these smokers are not heavy coupon redeemers, they are flagging their interest in Merit by filling out a survey, which is similar to the finding in "Morning."

Rodney, appendix 5, the responder profiles, are attached and have been included in your letter only. Please do not hesitate contact us if you have any questions or comments.

Best Regards,
LEO BURNETT U.S.A.

Kathy Kochanek *Chandra Greer*

Kathy Kochanek

Chandra Greer

Attachments

cc: (Cover & Appendices 1 - 4): Bill Bittner, Linda Schwartz, Norma Suter, Minda Maggio, Margaret Yates, Shari Teitelbaum - PM/NY
(Cover & Appendices 1 - 4): Liz Bromberg, Doug Porter, Chandra Greer, Mike Tissot, Margo Conant, Tom Claggett, Esther T. Franklin, Pauline d'Albis, Melissa Payton - LBCo.

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"Lighter Side of Gettin' Away was mailed to an audience of 857,602,
with 9 cells set up for the mailing.

"Lighter Side of Gettin' Away"
Coupon Values by Cell

Audience Segment	Coupon Values	Qty Mailed	% of Total
Ultra Loyal Control	3 \$1.00-off ctn/4 pks	151,386	17%
Ultra Loyal Test	2 \$1.00-off ctn/4 pks 1 \$2.00-off ctn/5 pks	8,175	1%
Loyal Control	3 \$1.50-off ctn/5 pks	304,265	35%
Loyal Test	3 \$1.00-off ctn/4 pks	7,996	2%
Vulnerable Test	3 \$1.00-off ctn/4 pks	7,717	2%
Vulnerable/Low Resp.	3 \$2.00-off ctn/5 pks	68,299	7%
Vulnerable/ High Responder \$1 Test	3 \$1.00-off ctn/4 pks	4,144	0.4%
Vulnerable/ High Responder \$2 Test	3 \$2.00-off ctn/5 pks	4,534	0.6%
Unknowns	3 \$1.50-off ctn/4 pks	301,086	35%
Total		857,602	100.0%

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Gettin Away Coupon TestsUltra Loyal Test

Key Finding: The \$2.00-off coupon test had greater redemption than the \$1.00-off coupon control (33% vs. 28%). However, the \$1.00 control group was more efficient in terms of CPM

	<u>\$1.00 Control</u>	<u>\$2.00 Test</u>
	<u>Redemp.</u>	<u>Redemp.</u>
	<u>Rate</u>	<u>Rate</u>
\$1.00-off ctn/4 pks	28%	
\$2.00-off ctn/5 pks		33%
\$1.00-off ctn/4 pks	26%	25%
\$1.00-off ctn/4 pks	27%	37%
Overall Redemp	27%	32%
Overall CPM	\$16.07	\$17.41

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Loyal Test

Key Finding I: Lessening the coupon value by 50¢ in the test cell to \$1.00-off decreased overall redemption compared to the control by 4% (18% vs. 22%).

Key Finding II: CPM sticks moved was approximately the same for both groups, indicating it is equally efficient to send a \$1.00-off ctn/4 pack as it is a \$1.50-off ctn/5 pack because the 50¢ difference between the coupons is offset by the 1 pack difference between the coupons.

	<u>\$1.50 Control</u>	<u>\$1.00 Test</u>
	<u>Redemp.</u>	<u>Redemp.</u>
	<u>Rate</u>	<u>Rate</u>
\$1.50-off ctn/5 pks	22%	
\$1.50-off ctn/5 pks	21%	
\$1.50-off ctn/5 pks	22%	
\$1.00-off ctn/4 pks		19%
\$1.00-off ctn/4 pks		17%
\$1.00-off ctn/4 pks		18%
Overall Redemp	22%	18%
Overall CPM	\$20.24	\$20.22

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High Responsive Vulnerable Test

Key Finding: \$2.00-off ctn/5 pks cell had a higher redemption rate than the \$1.00-off ctn/4 pks cell, with an 11% incremental response. However, CPM sticks moved was lower for the \$1.00-off coupon cell (\$16.86 vs. \$19.96).

	Vul High Resp/ \$1.00 Test	Vul High Resp/ \$2.00 Test
	Redemp. Rate	Redemp. Rate
\$2.00-off ctn/5 pks		35%
\$2.00-off ctn/5 pks		34%
\$2.00-off ctn/5 pks		35%
\$1.00-off ctn/4 pks	25%	
\$1.00-off ctn/4 pks	24%	
\$1.00-off ctn/4 pks	25%	
Overall Redemp	24%	35%
Overall CPM	\$16.86	\$19.96

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"Gettin' Away" Cost Per Thousand

Appendix 3

"Gettin' Away" was an efficient mailing from a CPM standpoint, with an overall CPM of \$21.36, which is lower than that of both "Summer" (\$23.91) and "Morning" (\$40.43). The CPM was lower for this mailing because the CPM of the Unknowns was drastically lower in this mailing than other mailings, which kept the overall CPM down.

Merit Ultra Loyals

	Responders	Mailing Cost	Coupon Redemption Cost	Premium Redemption Cost*	Total Cost	Coupon Stick Volume Generated	Premium Stick Volume Generated	Total Stick Volume Generated	Coupon CPM
Coupon Only	27,222	\$104,532.48	\$91,553.29		\$196,085.77	10,609,230.06		10,609,230	\$18.48
Premium Only	622	\$2,388.48		\$11,028.79	\$13,417.27		779,860	779,860	\$17.20
Survey Only	4,538	\$17,425.92			\$17,425.92			0	N/A
Coupon & Premium	1,284	\$4,930.56	\$4,318.36	\$22,766.84	\$32,015.76	500,413.32	1,609,871	2,110,284	\$15.17
Coupon & Survey	10,533	\$40,446.72	\$35,424.68		\$75,871.40	4,105,026.09		4,105,026	\$18.48
Premium & Survey	1,090	\$4,185.60		\$19,326.99	\$23,512.59		1,366,635	1,366,635	\$17.20
Coup/Prem/Surv	3,726	\$14,307.84	\$12,531.32	\$66,066.38	\$92,905.54	1,452,133.98	4,671,635	6,123,769	\$15.17
	49,015	\$188,217.60	\$143,827.65	\$119,189.00	\$451,234.25	16,666,803.45	8,428,000	25,094,803	\$17.98

Merit Loyals

	Responders	Mailing Cost	Coupon Redemption Cost†	Premium Redemption Cost*	Total Cost	Coupon Stick Volume Generated	Premium Stick Volume Generated	Total Stick Volume Generated	Coupon CPM
Coupon Only	46,224	\$177,500.16	\$283,436.06		\$460,936.22	19,919,927		19,919,927	\$23.14
Premium Only	743	\$2,853.12		\$12,569.71	\$15,422.83		892,937	892,937	\$17.27
Survey Only	5,841	\$22,429.44			\$22,429.44			0	N/A
Coupon & Premium	1,525	\$5,856.00	\$9,350.99	\$25,799.20	\$41,006.18	657,189	1,832,745	2,489,934	\$16.47
Coupon & Survey	11,878	\$45,611.52	\$72,833.45		\$118,444.97	5,118,746		5,118,746	\$23.14
Premium & Survey	1,060	\$4,070.40		\$17,932.56	\$22,002.96		1,273,908	1,273,908	\$17.27
Coup/Prem/Surv	3,727	\$14,311.68	\$22,853.20	\$63,051.54	\$100,216.42	1,606,126	4,479,109	6,085,235	\$16.47
	70,998	\$272,632.32	\$388,473.69	\$119,353.00	\$780,459.01	27,301,988	8,478,700	35,780,687	\$21.81

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"Gettin' Away" Cost Per Thousand

Appendix 3

Merit Vulnerables

	Responders	Mailing Cost	Coupon Redemption Cost	Premium Redemption Cost	Total Cost	Coupon Stick Volume Generated	Premium Stick Volume Generated	Total Stick Volume Generated	Coupon CPM
Coupon Only	12,007	\$46,106.88	\$74,450.53		\$120,557.41	5,248,294		5,248,294	\$22.97
Premium Only	24	\$92.16		\$401.70	\$493.86		28,720	28,720	\$17.20
Survey Only	2,476	\$9,507.84			\$9,507.84			0	N/A
Coupon & Premium	43	\$165.12	\$266.63	\$719.71	\$1,151.46	18,795	51,456	70,251	\$16.39
Coupon & Survey	4,667	\$17,921.28	\$28,938.17		\$46,859.45	2,039,959		2,039,959	\$22.97
Premium & Survey	29	\$111.36		\$485.39	\$596.75		34,703	34,703	\$17.20
Coup/Prem/Surv	83	\$318.72	\$514.65	\$1,389.21	\$2,222.58	36,280	99,322	135,601	\$16.39
	19,329	\$74,223.36	\$104,169.98	\$2,996.00	\$181,389.34	7,343,328	214,200	7,557,528	\$24.00

Merit Unknowns

	Responders	Mailing Cost	Coupon Redemption Cost†	Premium Redemption Cost	Total Cost	Coupon Stick Volume Generated	CPM
Coupon Only	46,659	\$179,170.56	\$232,276.51	N/A	\$411,447.07	18,641,107	\$22.07
Survey Only	7,505	\$28,819.20		N/A	\$28,819.20		N/A
Coupon & Survey	16,140	\$61,977.60	\$80,347.69	N/A	\$142,325.29	6,448,219	\$22.07
	70,304	\$269,967.36	\$312,624.20	\$0.00	\$582,591.56	25,089,326	\$23.22

	Responders	Mailing Cost	Coupon Redemption Cost	Premium Redemption Cost	Total Cost	Coupon Stick Volume Generated	Premium Stick Volume Generated	Total Stick Volume Generated	Coupon CPM
Total Responders	209,646	\$805,040.64	\$949,095.52	\$238,542.00	\$1,992,678.16	76,401,445	16,906,700	93,308,144	\$21.36

† Coupon Redemption Cost taken from Coupon Redemption Report from 9/7/94

* Premium Redemption Cost - \$19.00 for duffel, \$22.00 for jacket and \$4.00 for atlas.

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Similar to other mailings, the Ultra Loyals had the highest response at 31%. The Loyals, Vulnerables and Unknowns all had the same overall response of 23%.

Overall Responders to the Program

	<u>U. Loyals</u>	<u>Loyals</u>	<u>Vul.</u>	<u>Unknown</u>	<u>Total</u>
Coupon Only	17%	15%	14%	16%	15%
Premium Only	0.4%	0.2%	0.3%	N/A	.2%
Survey Only	3%	2%	3%	3%	2%
Coupon & Premium	1%	0.5%	0.5%	N/A	0.3%
Coupon & Survey	7%	4%	6%	5%	6%
Premium & Survey	1%	0.3%	0.4%	N/A	0.3%
Coup/Prem/Survey	2%	1%	1%	N/A	1%
Total	31%	23%	23%	23%	25%

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4% of the smokers mailed responded to the gift offer, with the most popular item being the atlas. 10% overall responded to the survey, with the Ultra Loyals responding at the highest rate, 12%.

Premium Response

	<u>U. Loyals</u>	<u>Loyals</u>	<u>Vul.</u>	<u>Unknown</u>	<u>Total</u>
Jacket (75 UPCs needed)	2%	1%	1%	N/A	1%
Duffel (60 UPCs needed)	1%	.6%	0.6%	N/A	.8%
Atlas (20 UPCs needed)	2%	1%	1%	N/A	2%
Total	5%	3%	3%	N/A	4%

Survey Response

	<u>U. Loyals</u>	<u>Loyals</u>	<u>Vul.</u>	<u>Unknown</u>	<u>Total</u>
Survey	12%	7%	9%	8%	10%

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